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|   |             |                      |                             |                  |
|---|-------------|----------------------|-----------------------------|------------------|
| APPLICATION NO.   | FILING DATE | FIRST NAMED INVENTOR | ATTORNEY DOCKET NO.         | CONFIRMATION NO. |
| 10/054,593  | 01/22/2002  | Patrick Flanery      | Flan02.02                   | 7706             |
| 7590 02/15/2007<br>Roger W. Jensen<br>Roger W. Jensen & Associates, Ltd.<br>8127 Pennsylvania Circle<br>Minneapolis, MN 55438 |             |                      | EXAMINER<br>KHATTAR, RAJESH |                  |
|   |             |                      | ART UNIT                    | PAPER NUMBER     |
|   |             |                      | 3693                        |                  |
| SHORTENED STATUTORY PERIOD OF RESPONSE  |             | MAIL DATE            | DELIVERY MODE               |                  |
| 3 MONTHS  |             | 02/15/2007           | PAPER                       |                  |

**Please find below and/or attached an Office communication concerning this application or proceeding.**

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

**Office Action Summary**

Application No.

10/054,593

Applicant(s)

FLANERY, PATRICK

Examiner

Rajesh Khattar

Art Unit

3693

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 22 January 2002.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-4 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-4 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)                                | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)                       | 5) <input type="checkbox"/> Notice of Informal Patent Application                       |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)<br>Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____  |

## DETAILED ACTION

### *Claim Rejections - 35 USC § 103*

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

1. Claims 1-4 are rejected under 35 U.S.C. 103(a) as being unpatentable over Parsons US Patent No. 6,411,939 (herein after Parsons '939) in view of Davis US Patent Application No. 2001/0049612 (herein after Davis '612). Regarding claims 1 and 2, Parsons '939 discloses:

an "S" type corporation, having a purpose of engaging in the business of leasing employee services (col. 22, lines 66-67 and col. 23, lines 1-5).

Parsons '939 also teaches the recruitment of Individual by PLC whereby Individual agrees (i) to be willing to cease providing services to Oldco, and (ii) to provide Services to Oldco as a leased employee of a wholly owned subsidiary corporation of PLC (col. 31, lines 54-65).

Examiner notes that offering to hire Individual and Individual agreeing to accept an offer of employment from QSSS for assignment of Individual as a leased employee are the respective steps that are inherent to Parsons '939 teachings of hiring employees for assignment of Individual as a leased employee (col. 31, lines 54-65). Parsons '939 also discloses that the offer contains a benefit package including a deferred

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compensation (DC) plan and other mutually agreed benefits such as Supplemental Executive Retirement Plan and Incentive Stock Option Grants, etc. (col. 1, lines 45-55).

Examiner notes that "...agreeing with Oldco to provide Individual as a leased employee to perform Services to Oldco; Individual agreeing to perform Services to Oldco as a leased employee thereof; and Oldco compensating QSSS for Services provided by Individual for Oldco" are inherent to the teachings of Parsons '939.

Creating a employee stock ownership plan (ESOP) and transferring ownership of PLC to ESOP is interpreted by examiner as being in compliance under the provisions of IRC 501 to obtain tax exempt status. Therefore, this feature is not necessary novel and hence not patently distinct. If this interpretation is not in line with Applicant's claimed invention, then Examiner invites the Applicant to clearly describe how this feature is patently distinct.

Furthermore, Examiner notes that creating a QSSS, a Qualified subchapter S subsidiary, allows all assets; liabilities; items of income, deduction, and credit; and the tax history of a QSSS are treated as belonging to the S corporation parent. The shareholders of the S corporation parent have the ability to isolate its activities into separate entities for the purpose of limiting liability without compromising the flow-through benefits provided by S corporation status (see reference A, attached). Applicant's claim of creating a QSSS with a motivation to protect personal asset and makes use of the tax-efficiencies and operational flexibility are inherent features of any QSSS. Examiner, therefore, concludes that these features are commonly used in the

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business world and Applicant's use to include this feature is not new but is necessary to support applicant's method of deferring compensation.

Examiner notes that the steps of "allocating all income and expenses of QSSS to PLC and Individual....." is within the scope of any QSSS and is not patently distinct feature of applicant's invention. Examiner finds support for his interpretation in the attached reference A. The reference A teaches that QSSS is not treated as a separate corporation for Federal income tax purposes and all assets, liabilities, income, deduction (expenses) and credit are treated as belonging to the parent corporation (in this case PLC). Examiner encourages the Applicant to clarify how this feature is patently distinct if Applicant's claim is different from Examiner's interpretation.

Parsons '939 does not specifically teach that the insurance premium is paid with deferred employee compensation plan. However, Davis '612 teaches that the insurance premium is paid with deferred employee compensation ([0036]). Davis '612 also teaches that the Individual has the right to "cash out" the policy ([0041]). Davis '612 does not specifically teach how the cash out terms are structured. Examiner notes that structuring a buy out from PLC the entire ownership of QSSS by PLC at a cost equal to the net book value of QSSS plus a 5% irrevocable assignment of death benefit is clearly an aesthetic design change (see MPEP § 2144.04). The design change that relates to ornamentation only and have no mechanical function cannot be relied upon to patentably distinguish the claimed invention from the prior art. Examiner also notes that the limitation "QSSS depositing deferred compensation of Individual into a life insurance contract owned solely by QSSS with Individual being the insured, and with the death

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benefit of said life insurance being dedicated to cover deferred compensation liability" is within the scope of an Corporate Owned Life Insurance (COLI) used widely to defer compensation of highly compensated individual (see references B and C). Davis '612 also describes the use of corporate owned life insurance plan ([0010]).

Regarding claims 3 and 4, Davis '612 teaches that the deferred compensation (insurance contract) is held in a Rabbi Trust ([0009], [0010]) and is a non-qualified deferred compensation plan ([0005], [0012]).

Therefore, it would have been obvious for a person having ordinary skills in the art at the time the invention was made to modify the disclosure of Parsons '939 to include the teachings Davis '612. One would have been motivated to do so in order to defer taxes for a highly compensated individual.

### ***Conclusion***

2. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure US Patent Application No. 2003/0074277, 2001/0044774, 2002/0022982, 2002/0143682, 2002/0178039, 2002/0143682, US Patent No. 5839118, 5926792, 6571219.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Rajesh Khattar whose telephone number is 571-272-7981. The examiner can normally be reached on M-Th 8-5.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

RK

Jan. 30, 2007

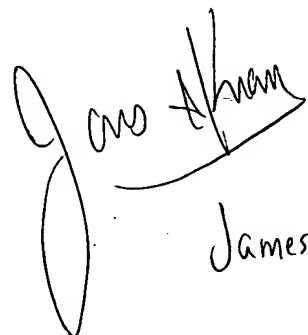
***Requirement For Information***

Applicant and the assignee of this application are required under 37 CFR 1.105 to provide the following information that the examiner has determined is reasonably necessary to the examination of this application.

Applicant disclosed that prior art (page 1, lines 22-23) for deferring compensation had serious shortcomings but failed to disclose the citation in the specification or Information Disclosure Statement (IDS). In response to this requirement, please provide the title, citation and copy of each publication that is a source used for the description of the prior art in the disclosure. For each publication, please provide a concise explanation of that publication's contribution to the description of the prior art.

This requirement is an attachment of the enclosed Office action. A complete reply to the enclosed Office action must include a complete reply to this requirement. The time period for reply to this requirement coincides with the time period for reply to the enclosed Office action.

RK  
Jan. 30, 2007

 2/1/07  
James Kramer